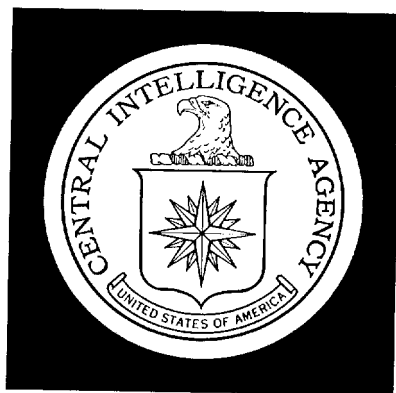


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NORTH VIETNAM: A new high-level directive has ordered increased mobilization in North Vietnam.

On 29 July the premier's office put all civilian agencies on notice that their military reserve units must be enlarged and upgraded. Government offices, factories, farms, schools, hospitals, and commercial establishments were all told to organize a military reserve unit if they did not already have one and to inaugurate new training programs covering both general military doctrine and specific instructions in small arms and antiaircraft weaponry.

An editorial in the party daily on the premier's directive made it clear that the regime wants not only to improve local defense capabilities to counter allied raids but also to strengthen the military reserve system as a whole and improve recruiting procedures for the regular army.

It is possible that the regime is playing up the mobilization issue in order to get the people's attention focused on the war effort and their energies channeled into support of war-related objectives at home. The order may also mean, however, that the regime anticipates a higher level of fighting throughout Indochina and as a consequence wants to improve its system of training, recruiting, and draft procedures. If Hanoi does intend to step up the pace of military action, there should be firmer evidence of such an intent in the next few months.

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COMMUNIST CHINA - INDOCHINA: An authoritative People's Daily article supporting Prince Sihanouk's stand against convening a new Geneva conference is another attempt by Peking to mollify its Indochinese allies.

The article focuses on the prince's contention that the Indochinese problem can only be settled by the Indochinese people and his demand that the US totally and unconditionally withdraw. It also returns to Peking's standard declaration that the 1954 Geneva agreements have been "completely destroyed" by the US, and comments that speculation on such a conference is "very ridiculous indeed." According to the article, "the problem today" is US withdrawal from Indochina and not the holding of a new Geneva conference. The article leaves Peking some room for maneuver, however, by ignoring the question of whether China would ever attend such a conference in the future. This is the same kind of ambivalence that characterized an unusual Peking editorial last month commemorating the 17th anniversary of the Geneva accords.

The Chinese have been careful since just before the announcement of the impending US presidential visit to reassure their allies, and especially Hanoi, that the interests of the three Indochinese peoples would not be sacrificed in any Sino-US detente. Peking's unusually prompt and effusive endorsement of Hanoi's new seven-point negotiating position in Paris in large part has been designed to dispel such fears. The most recent People's Daily article, in fact, seems to echo recent comments from Hanoi on US perfidy, and it is probably not coincidental that it appeared shortly after Le Duc Tho's stopover in Peking, an occasion for another display of high-level Chinese support.

Nevertheless, Peking's position on an eventual political settlement, and in particular its attitude toward an expanded conference on the Geneva model to discuss the Indochina problem as a whole, probably

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remains ambiguous to China's allies, and it is doubtful that the People's Daily article--like other recent reassuring statements--will allay completely their suspicions. In fact, Peking's continued public emphasis on the demand for US withdrawal from Indochina, to the almost complete neglect of other features in the negotiating packages of each of the three Indochinese parties, may reinforce their skepticism over Peking's intentions after its primary objective of forcing the US out of the area is achieved.

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COMMUNIST CHINA: Premier Chou En-lai recently provided the first indication that some efforts are being made to revive China's shattered trade union structure.

[REDACTED]

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[REDACTED] Chou disclosed that rudimentary trade union organizations now exist at factory and city levels, although he admitted that the ACFTU (All-China Federation of Trade Unions), disbanded early in the Cultural Revolution, had not yet been re-structured at the national level. Chou further explained that trade union cadres are still undergoing political "re-education," probably at a 7 May cadre school, in Honan Province and that the entire question of reforming the trade union organization at the national level has been put off until the long-delayed National People's Congress (NPC) is held.

[REDACTED]

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Although trade unions in China were established to organize and control the workers rather than to enhance their livelihood, the ACFTU was bitterly criticized by leftist elements during the Cultural Revolution for creating an urban labor force which enjoyed a significantly higher standard of living than its rural counterparts. The pre - Cultural Revolution functions trade unions were supposed to perform--political indoctrination of workers, enforcing labor discipline, fulfilling production plans, promoting technological improvements, and administering the labor insurance system--have been taken over by the factory revolutionary committees.

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Although "worker congresses" have been formed since 1967 in many factories, these bodies have not yet replaced the old trade union bureaucracy. The result at the local level seems to be that the military representatives on the revolutionary committees, who entered the factories during and after the Cultural Revolution, still retain their dominant positions. These military-dominated committees have managed to stifle worker demands for wage increases, reportedly widespread during the Cultural Revolution, and, although grumblings are still heard from time to time, wages have not increased since 1966. [REDACTED]

[REDACTED]

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ALGERIA - COMMUNIST CHINA: The recent visit of the Algerian foreign minister to Peking may presage an increase in Chinese activity in Algeria.

The warm and friendly relations between Algeria and Communist China before and immediately after Algerian independence cooled somewhat in later years. The visit to China from 21 July to 1 August of a 13-member delegation headed by Foreign Minister Bouteflika, therefore, not only fulfilled a long-standing personal desire of the foreign minister to visit Asia but also implied that Algeria sought to refurbish the earlier close ties. The delegation has gone on to Hanoi and also is scheduled to visit Pyongyang.

The inclusion of two Algerian Army officers in the delegation suggests that the acquisition of some military equipment--either for the use of Algeria's own armed forces or of the Palestinian fedayeen or other liberation groups--may have been discussed. This possibility is reinforced by the presence of Yuan Hua-ping, head of the Chinese Army's armaments department, when the delegation was received by Chou En-lai.

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Although a new economic and technical cooperation agreement was signed on 27 July, no mention was made of any new credit, probably because only half of the \$50-million credit advanced in 1963 has yet to be drawn down. The Chinese projects included the construction of an exhibition hall at Algiers' international fair grounds, a ceramics factory, the development of a kaolin mine, and an experiment in growing tea; hydraulic and agricultural projects are under study. The Chinese have also sent several medical teams to Algeria, which employed about 185 Chinese technicians in 1970. Although the Algerians

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hope to increase trade with China, particularly to offset their present over-all deficit trade balance, the volume of total goods exchanged is small, amounting to less than \$10 million in 1970. [REDACTED]

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EL SALVADOR: President Sanchez appears firmly resolved not to grant all of the demands of Salvadoran teachers, who have been on strike for almost a month.

The Communist-infiltrated National Association of Salvadoran Teachers (ANDES) struck on 8 July, demanding wage increases and working conditions it knew the government could not grant.

[REDACTED]

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[REDACTED] legislation was pushed through the Assembly allowing a moderate increase in pay and amending the teachers' career service law. The salary increase was unacceptable to ANDES, as were additions to the career law establishing penalties for striking teachers. ANDES therefore has decided to remain on strike and to use the vacation period this week to marshal support from university students, politicians, and labor unions.

The strike is the latest episode in ANDES' feud with Minister of Education Beneke Medina, a long-time friend of President Sanchez. Beneke has upgraded the educational system considerably during his four years in office and has received the President's support, even where his reforms have hurt established educational interests. Sanchez reportedly believes he has the backing of both the military and his party, and is unlikely to bow to ANDES in this instance. [REDACTED]

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NETHERLANDS: Prime Minister Biesheuvel has indicated that the first priority of his administration will be to expand exports to attain a balance in Dutch foreign trade.

Underlying the concern over the Dutch balance of payments is a current account deficit that climbed to \$164 million in the first quarter of 1971 from \$64 million a year earlier. This deterioration stemmed almost entirely from the worsening balance of trade. During the first quarter of this year imports climbed 23 percent, while exports rose only 19 percent. In light of these considerations Biesheuvel feels it is important that the guilder not float too high because of the probable adverse effects on the Netherlands' competitive position in world markets. The guilder has in fact appreciated only two percent above its nominal parity.

Although emphasizing the need to reverse the trend in the balance of trade, Biesheuvel stated that his government would continue traditional attitudes favoring more liberal trade, in contrast to the French, and possibly Belgian, viewpoints. He also indicated general agreement with the trade policies of the US, which suggests that during his tenure the US probably can look forward to constructive consideration by the Dutch of problems that may arise in US trade relations with the Netherlands and with the European Communities (EC). Biesheuvel, who was minister of agriculture during the US-EC "chicken war," identified the EC common agricultural policy as one of the main friction points in US-Dutch relations.

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ITALY: Foreign Trade Minister Zagari at a recent press conference stated that Italy will not make any trade concessions that would reduce its exports to the US market. At the same time he condemned US protectionist tendencies, which he said threaten the growth of exports and, indirectly, of Italy's already sagging industrial output. Zagari labeled the recent implementation of a statistical monitoring system over shoe exports to the US and Italian collaboration in the EC package of agricultural offers to the US merely as signs of "good will." Accounts in the US and foreign press had portrayed the monitoring system as imposing restrictions on shoe exports to the US. Zagari's comments were probably intended to allay fears of domestic producers who are struggling to maintain a competitive position in foreign markets. [REDACTED]

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GUATEMALA: Leftist terrorists appear to have executed their first significant action in six months with the kidnaping of prominent right-wing politician Roberto Alejos. [REDACTED]

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[REDACTED] It is not yet clear whether Alejos has been captured for ransom or as a hostage to exchange for prisoners held by the government. If Alejos were murdered by his captors, the crime probably would be swiftly avenged by right-wing assassination squads. [REDACTED]

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